

April 26, 2005

The proposed fare changes include:

- Reduce regular fare to \$1
- Reduce discount fare (seniors, youth and persons with disabilities) to \$0.50
- Eliminate paper transfer slips, tickets and tokens
- One day pass with transfer privileges (May be purchased on board bus)
 - Local: \$2
 - Seniors, youth and persons with disabilities: \$1
 - Express/RAPID: \$3
- Rolling pass options - validated on first use on board bus
 - 3-day
 - 7-day
 - 31-day

In February, Tempe staff conducted two open houses in order to receive public input on the recommendation. Nearly all comments entered into the official record or forwarded to staff by other means were supportive of the recommended changes. Phoenix concluded a series of open houses in March and received similar feedback. Valley Metro held a formal public hearing on April 14, 2005. Approximately eight members of the public attended and expressed general support for the proposal.

Valley Metro staff plan to present the final proposal and the official record of all public comments at the May meetings of the Valley Metro Transportation Management Committee and the Board of Directors. The official record will include public comments made at the open houses sponsored by Tempe and Phoenix, all written comments forwarded to staff members or elected officials of Valley Metro or the partner cities, and all comments received at the Valley Metro public hearing.

If the Valley Metro Board of Directors adopts the fare policy changes at their May 19 meeting, the new fare policy will be scheduled to take effect on July 1, 2006.

Outline of Alternative Valley Metro Fare Structures

**Developed by Regional Fare Policy Working Group
Consultant: Booz Allen Hamilton**

- Updated: January 19, 2005-

Goals and Objectives of Study:

- Maximize ridership and fare revenue without increasing fares
- Provide convenience and ease of understanding, by offering fare options and fare collection practices that meet customer needs
- Provide affordable fare options that recognize the needs of passengers who are dependent on transit for their mobility needs
- Rationalize fare payment options in the context of a fully integrated fare system that provides fare coordination between modes and consistent fare structures within modes
- Replace obsolete fare collection equipment and assure a fare-neutral implementation of new technologies by reducing overall fare collection and administrative costs, including the costs of fare abuse and evasion
- Improve collection and reporting of ridership and fare data

Current Fare Structure and Issues:

Table 1:

FARE MEDIA	LOCAL FIXED ROUTE SERVICES						EXPRESS	
	Full Fare		Senior/Disabled		Student/Youth		BUS SERVICES	
	Fare	Discount	Fare	Discount	Fare	Discount	Fare	Discount
One-Way	\$1.25		\$0.60		\$0.60		\$1.75	
Tokens	\$1.20	4%	\$0.60	0%	\$0.60	0%	\$1.80	-3%
Day Pass	\$3.60	49%	\$1.80	47%	\$1.80	47%	N/A	
Book of 10-Ride Passes	\$12.00	4%	\$6.00	0%	\$6.00	0%	\$18.00	-3%
Monthly Pass	\$34.00	55%	\$17.00	53%	\$17.00	53%	\$51.00	27%
Fall/Spring Semester Pass	N/A		N/A		\$120.00	N/A	N/A	
Summer Semester Pass	N/A		N/A		\$80.00	N/A	N/A	
Summer Youth Passport	N/A		N/A		\$40.00	N/A	N/A	

Discounts assume usage rates of 40 trips/month on express passes, 60 trips/month on local passes, and 5.7 trips/day on day passes
Children under the age of 6 accompanied by a responsible fare-paying adult travel free on express and local services

1. Market-based fare structures depend on a variety of fare media to meet the needs of major market segments. Too many fare media may:

- Be confusing to riders
- Make the fare structure difficult for operators to enforce
- Unnecessarily increase the cost of fare collection and the resources devoted to it (e.g., distribution, marketing, accounting, admin resources and activities)
- Contribute to fare abuse
- Make data collection and reporting more difficult

In addition, retail outlets have been unwilling to handle the full range of Valley Metro fare options, making it difficult to implement a comprehensive sales outlet program.

2. Transfers are a major source of fare abuse and conflict. On average, riders using local services board 1.9 times to complete a one-way trip (Source: Phoenix 2001 Origin Destination Survey).

- Transfers are issued free on all Valley Metro fixed route services except DASH. Transfers are valid for 60 minutes from the end of the line and for multiple transfers within the validity period. They can be used to transfer to any fixed route, for travel in any direction. Upgrade fees are charged for transfers to services with higher fares.
- Abuse and passenger/operator conflicts are concerns with transfers. In 1995, Valley Metro attempted to eliminate transfers and introduce a day pass. Although the day pass was implemented, opponents of eliminating transfers were vocal at public hearings and transfers were retained.
- Many transit systems have eliminated transfers and introduced day passes as a means of successfully reducing conflict and abuse and inducing additional ridership.
- Transfer abuse and conflict might also be reduced by introducing electronically encoded transfers and/or more stringent policies on transfer use and validity.

Compared to cash fares, day passes could help to reduce boarding times. Transit systems that eliminated transfers and sold day passes on-board have found that day passes account for 30-35 percent of ridership.

3. Tickets and tokens are also abused - Paper tickets are sold in books of ten for \$12; tokens are sold in packages of 20 for \$12. Both can be used by up to ten riders traveling separately and both provide a four percent (\$0.05) discount, but only for full-fare riders on local routes. Both are sold at retail outlets and Valley Metro locations; tickets are also available at senior centers. Both are used by social service agencies, homeless service providers and schools. Tickets are also used by juror programs.

- Tickets account for 4.3 percent of boardings, while tokens account for only 0.2 percent.
- Ten-ride tickets and tokens are provided primarily as a convenience for occasional riders, who do not travel frequently enough to justify purchasing a monthly pass. It is likely that they are also used by riders who cannot afford the up-front cost of a monthly pass.
- Operators report that tickets, tokens and transfers are the most abused fare media.
- Riders are able to use slugs and washers instead of tokens in the fareboxes. In addition, counting and distributing tokens increases the cost of fare collection.
- Valley Metro's books of paper tickets have been problematic because riders have been able to split the tickets and use each one for two trips.

4. Ten-trip tickets should be retained, but reformatted as ten-trip passes

- Multi-trip tickets like Valley Metro's 10-trip ticket are fairly common among transit providers. Many agencies use magnetically-encoded fare media and fareboxes equipped with read/write encoders to provide an added level of security and deter abuse.
- Trip-based fare media, like 10-trip tickets, provide an important element for transit fare policies. Unlike passes, ten-trip tickets offer convenience and a discount for riders who travel occasionally, but not often enough to purchase a monthly pass. Peers who provide ten-trip tickets also offer discounts, but provide higher per trip savings (i.e., between 8 and 50 percent, and averaging 17 percent, compared to Valley Metro's 4 percent discount).
- When Valley Metro acquires new fareboxes and more advanced fare collection capabilities (e.g., magnetics or smart cards), ten-trip tickets should be reformatted to eliminate the individual tickets and make the fare available on a magnetically encoded farecard. The 10-trip passes should be priced to continue to provide a discount of 4-5 percent.
- In addition, with the elimination of transfers, Valley Metro should retain the existing fare policy that provides transfer privileges to 10-trip ticket users.

5. The elimination of tokens is recommended

- Discontinuing the use of tokens would reduce fare abuse and eliminate a little-used fare medium, thereby helping to rationalize and simplify the fare structure and reduce the costs of fare collection.
- If tokens were eliminated, viable alternatives would include cash, day passes and ten-trip tickets. With the introduction of advanced farebox capabilities, other alternatives include more secure magnetically-encoded, multi-trip tickets (e.g., 2-trip tickets could be encoded for schools and social service agencies).

With the goals and issues in mind, fare scenarios have been modeled both with and without transfers. Nevertheless, transfer elimination is recommended along with on-board day pass sales.

Preferred Alternatives:

Alternative 1: (*Recommended by Regional Fare Policy Working Group*)

- Base fare reduced to \$1.00 (\$1.50 for Express and \$.50 for reduced fare eligible riders)
- Day pass is priced at 2.0 times the base fare (\$2.00) – sold on bus and at Transit Vending Machines (TVM's)
- Replace ten-ride ticket book with ten-trip pass
- Replace monthly pass with 31 day rolling period pass
- Eliminate tokens
- Retain/expand special programs (i.e., Bus Card Plus, U-Pass system – colleges & schools)
- Transfers eliminated for all media, including cash – offset by reduction in base fare to \$1.00
- Procure magnetic/validating fareboxes with on board day pass printing ability
- Allows for future transition to Smart Card Technology

Advantages:

- Offers best ridership and revenue scenario
- Maximizes patron use of pass media –
- Provides an excellent foundation for future transition to smart cards
- Eliminates costs, conflicts and revenue loss associated with the management of transfers, tickets and tokens and their abuse
- Reduces costs associated with cash management
- Reduction in expense to cash patrons upon shift to day passes
- Increased system operating efficiency without transfers, tickets or tokens
- Significant increase in ridership/revenue reporting accuracy due to higher pass use
- Fewer policies to manage and communicate – greater public understanding

Disadvantages:

- Political difficulties associated with issue of transfer elimination
- Small percent of patrons who may continue paying cash for multiple daily boardings are disadvantaged
- Tempe would need to upgrade/purchase fareboxes to allow on board printing of day passes

Alternative 2:

- Base fare remains at \$1.25 (\$1.75 Express)
- Day pass is priced at 2.0 times the base fare (\$2.50) – sold on bus and at Transit Vending Machines (TVM's)

- Replace ten-ride ticket book with ten-trip pass
- Replace monthly pass with 31 day rolling period pass
- Eliminate tokens
- Retain/expand special programs (i.e., Bus Card Plus, U-Pass system – colleges & schools)
- Transfer privileges retained for all pass media and cash
- Procure magnetic/validating fareboxes with on board day pass printing ability
- Allows for future transition to Smart Card technology

Advantages:

- Offers positive ridership scenario
- Moderately effective at transitioning cash users to pass users
- Good transition to onset of smart cards in future
- Moderate increase in ridership/revenue reporting due to higher pass use
- Relative to Alternative 1, this alternative may be less controversial due transfer retention

Disadvantages:

- Greater costs in support of cash management as opposed to Alternative 1
- Costs, conflicts and revenue loss associated with transfers, tickets and tokens remain
- Projections indicate decrease of approximately \$500,000 in annual system revenue
- Tempe would need to upgrade/purchase fareboxes to allow on board printing of day passes

Table 2: Fare Policy Alternatives

	Alternative 1	Alternative 2	No Change
Base Fare	\$1.00	\$1.25	\$1.25
Free Transfers	eliminate	maintain – (farebox)	maintain
Tickets/Tokens	eliminate	eliminate	maintain
1-Day Pass	\$2.00 – (farebox)	\$2.50 – (farebox)	\$3.60
Monthly Pass	31-day rolling	31-day rolling	dated
Add'l Pass	3- and 7-day	3- and 7-day	None

Revised estimates apply to FY 2004

Table 3: Impact Analysis

	Alternative 1	Alternative 2	No Change
Ridership	48.475 million	49.122 million	48.943 million
% Difference	-1.00%	0.40%	n/a
Fare Revenue	\$27.617 million	\$26.008 million	\$26.539 million
% Difference	4.10%	-2.00%	n/a
Ave. Fare Per Trip	\$0.57	\$0.53	\$0.54

Revised estimates apply to FY 2004

Table 4: Fare Media Distribution

	Alternative 1	Alternative 2	No Change
Local Fares			
Cash	18.70%	39.30%	51.20%
Credit Card	0.00%	0.00%	1.90%
Token	0.00%	0.00%	0.40%
Ten-Trip Pass	11.80%	7.70%	7.50%
Day-Pass	29.30%	13.30%	0.20%
Monthly Pass	21.70%	21.50%	20.80%
Bus Card Plus	9.10%	8.80%	8.60%
Semester/Youth Pass	0.30%	0.30%	0.30%
Total – Local Fares	90.90%	90.90%	90.90%
Express Fares	1.80%	1.80%	1.80%
Other (Free Fare, Shuttles)	7.30%	7.30%	7.30%
Grand Total	100.00%	100.00%	100.00%

Technology

Given the policy directions outlined above and discussions surrounding the difficulty of an immediate transition to smart card technology, in terms of public acceptance and understanding, it was generally agreed that the City of Phoenix should purchase a magnetic/registering farebox with day pass printing capability. The City of Phoenix is now evaluating responses to an RFP that solicited bids for the provision of fareboxes with multiple options including a smart card application. An evaluation team has been selected with regional representation to evaluate the proposals and recommend the best product and vendor for the region's needs.

